



# Employment Tax Tips and Updates

*June 28, 2005*



# Employment Tax Program

- 3 Operating Units address IRS employment tax issues
- SB/SE Specialty Tax Employment Tax - 21 groups across the nation
- Concentration on employment tax issues affecting small business
- Field and Policy under one roof



# Who Are Our Taxpayers?

- Those Required to File Form 941,  
Employer's Quarterly Tax Return
- 29.9 Million Forms 941 Filed  
in 2003 by over 6 million employers
- Non-Filers - Major source of  
noncompliance

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# Working to Reduce Non-Filers

- Significant Resources Dedicated in SB/SE Employment Tax to address
- Corrosive to our Tax System
- Using data from both Internal and External Sources
- Variety of reasons for non-filing and Trust Fund Issues

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# Officer's Compensation

- Performance of Services Key on the part of 1120S Officer/Shareholders - dual role creates issues/opportunities
- Little or no compensation reflected - yet Services performed
- Significant Distributable Income
- Employment Taxes reduced/eliminated

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# FRINGE BENEFITS

- Corporate Officers vs. Employees
- Accountable vs. Non-Accountable Plans
- Creative yet the same result – lower Employment Taxes paid by employer – lower income tax paid by employee

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# Fringe Benefit Examples

- Automobiles
- Travel
- Cash Payments in Lieu of Wages
- “Double Dipping”

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# TIPS

- Tip Agreements
- Employee Examinations -  
Corresponding Assessments to  
Employers
- Employer only assessments
- Overall Strategy

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# TRUST FUND RECOVERY PENALTY

- Key Collection Tool
- Establish Communications at Local Level
- Ensure Collections' Involvement early in the process
- Everyone's issue



# Revised Form 941

- Identify Total Number of Employees each Quarter
- Check Boxes to Identify Quarter
- Defines Adjustments to Tax
- Schedule B and Schedule D

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**FOR INFORMATION**

**Go to [www.irs.gov](http://www.irs.gov)**

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QUESTIONS?

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